

# **SURA Asset Management Corporate Presentation**

Q3 - 2019

# Disclaimer

The forward-looking statements contained herein are based on Management's current forecasts and outlook.

For better illustration and decision-making, figures for SURA Asset Management and its subsidiaries are administrative rather than accountant, and therefore may differ from those presented to official entities. Thus, SURA Asset Management assumes no obligation to update or correct the information contained in this presentation.

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**OVERVIEW**

# Who we are

## #1 PENSION FUND MANAGER

in Latam, with a growing voluntary Savings and Investment business

**22.6%**

**MARKET SHARE**  
Mandatory Pension

## 35 YEARS OF EXPERIENCE

in the region, with a unique knowledge in the asset management industry.

**9,188**

**EMPLOYEES**

## REGIONAL PLATFORM

with a leading presence in 7 countries

**+591**

**SOLUTIONS AND PRODUCTS FOR OUR CLIENTS**

## RELEVANT CLIENT BASE

in attractive markets

**~20 million**

retail clients

And **324**

Institutional clients



ASSETS MANAGED BY OUR BUSSINESS

**USD 141 bn**

OPERATING REVENUE

**USD 744.4 m**

OPERATING EARNINGS

**USD 345.7 m**

**7** COUNTRIES

INVESTMENT GRADE:

**FITCH BBB+**

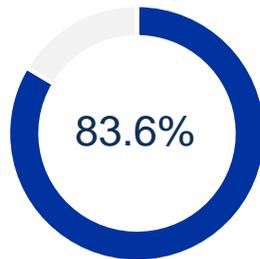
**MOODYS Baa1**

# Backed by reputable shareholders

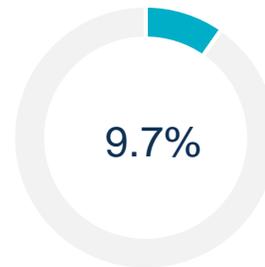
## Support from Strong and Sophisticated Shareholders



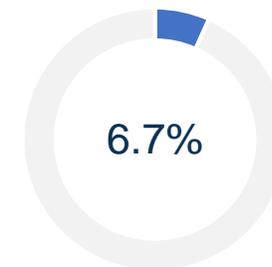
Latin American holding company with a strategic focus on the diverse financial services sector.



Colombian investment group with significant experience in the financial sector



Second largest pension fund in Canada, CDPQ managed assets of \$308.3 billion invested in Canada and elsewhere.





PERSONS



INSTITUTIONS

## MANDATORY

- » Mandatory pension
- » Severance



**AUM**  
**USD 124.9 bn**

## SAVINGS AND INVESTMENT

- » Voluntary Pensions
- » Distribution of own Mutual Funds and open architecture
- » Unit linked
- » Insurance distribution
- » Sales and trading



**AUM**  
**USD 9.6 bn**

## INVESTMENT MANAGEMENT

- » Management of investment portfolios (Mandates and Funds)
- » Creation of investment products and services



**AUM**  
**USD 10.2 bn**

\* USD 3.9 bn from WM business

**FINANCIAL  
PERFORMANCE**

# SURA AM's Financials Evolution

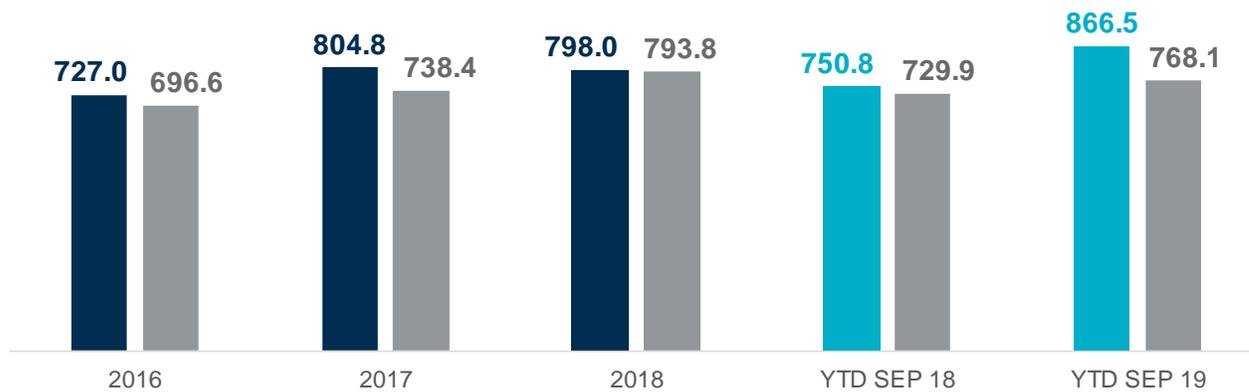
## AUM



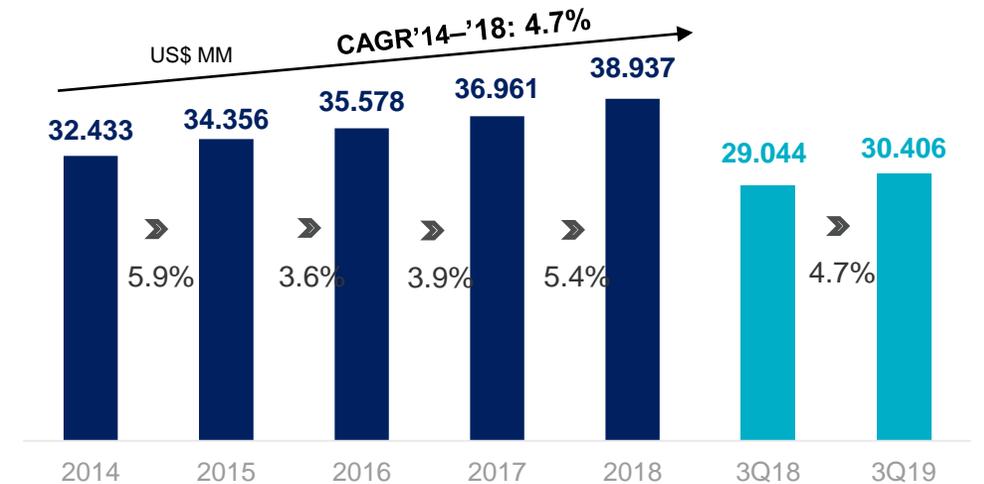
## RETURN ON LEGAL RESERVE



## OPERATING EARNINGS



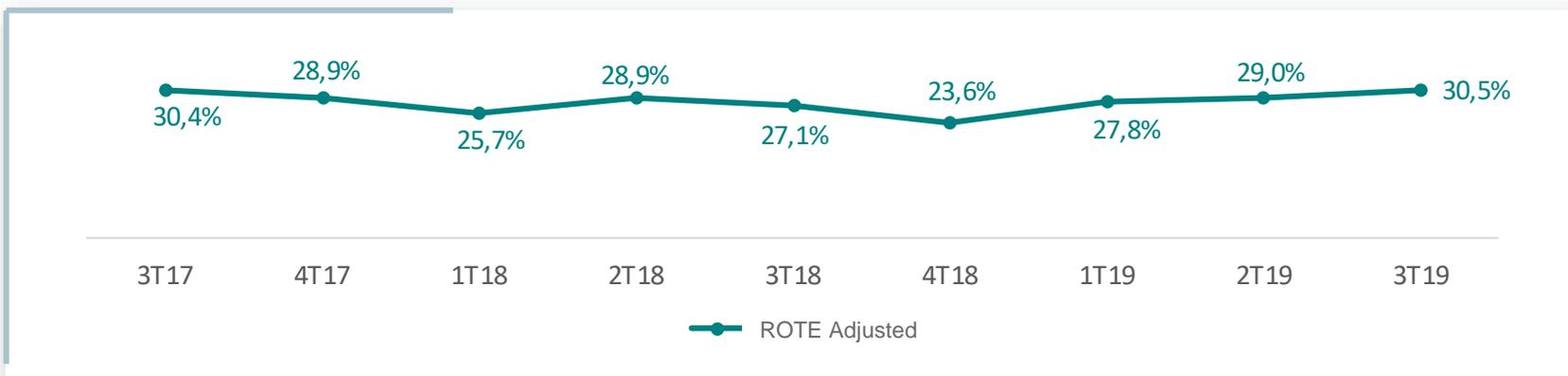
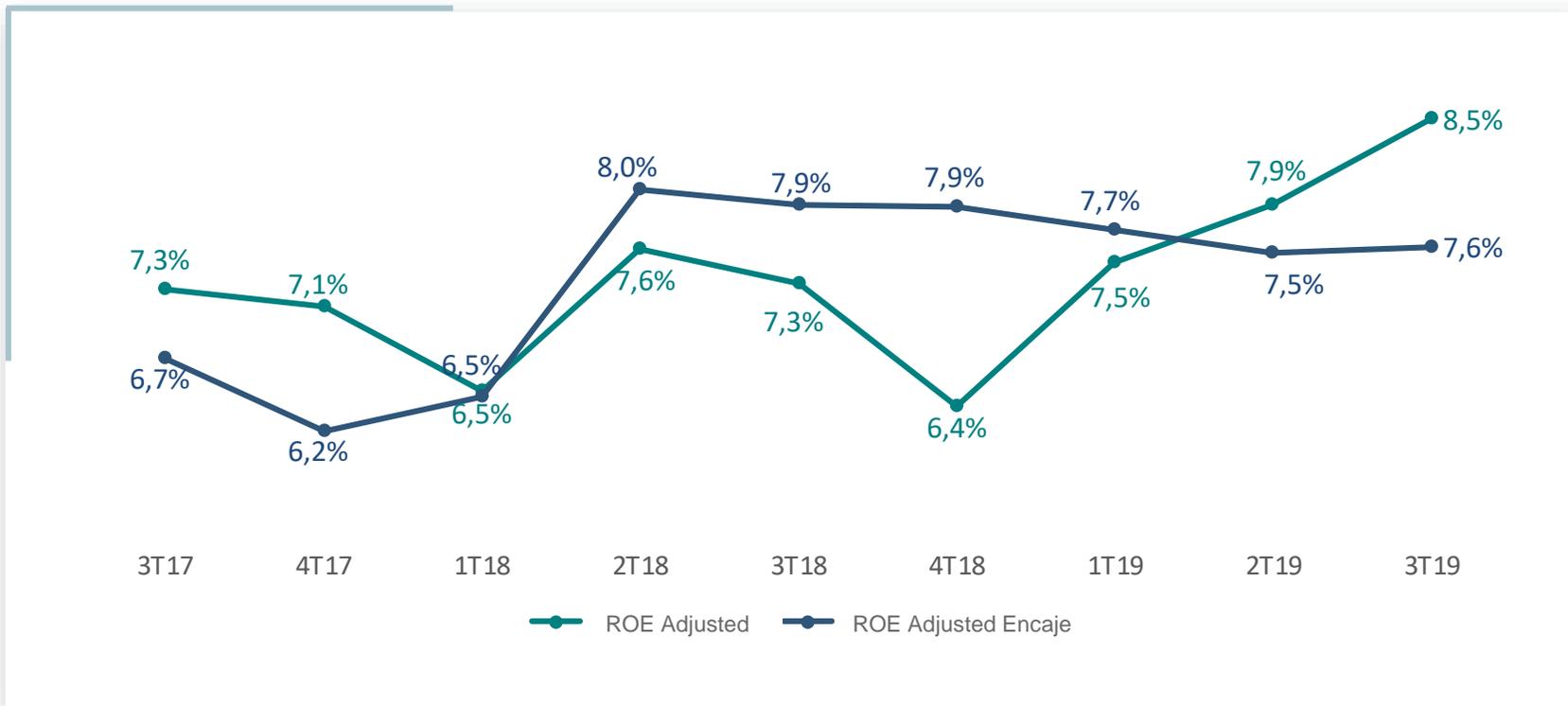
## WITH A STABLE SALARY BASE



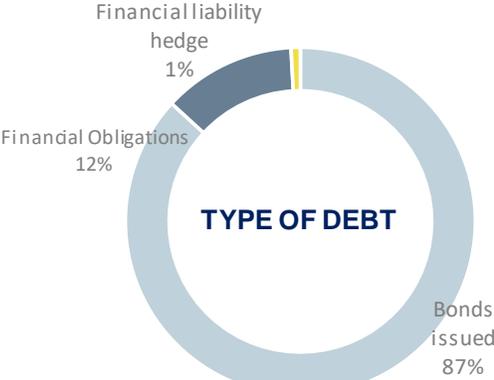
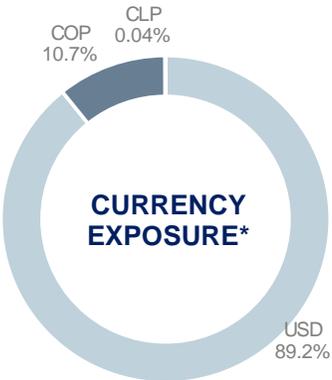
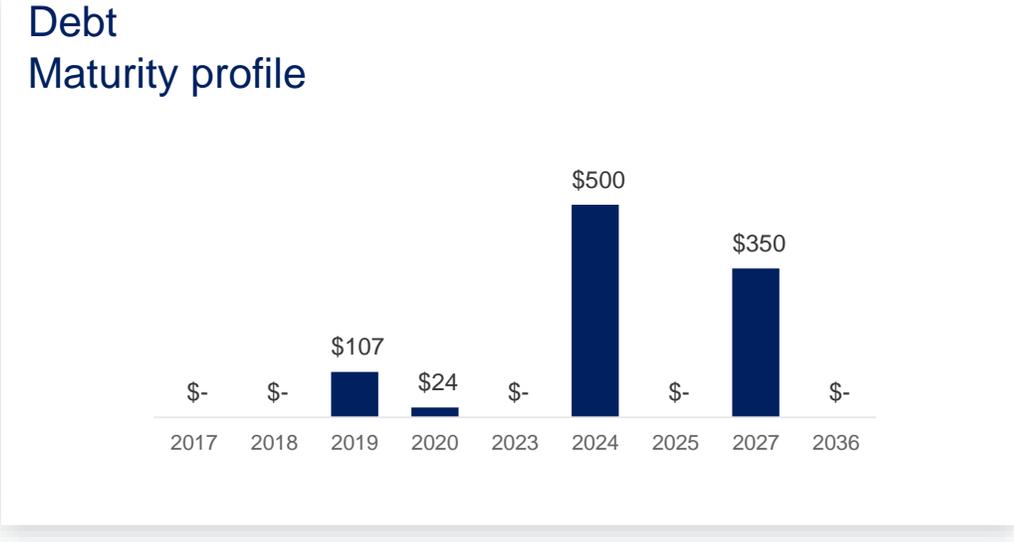
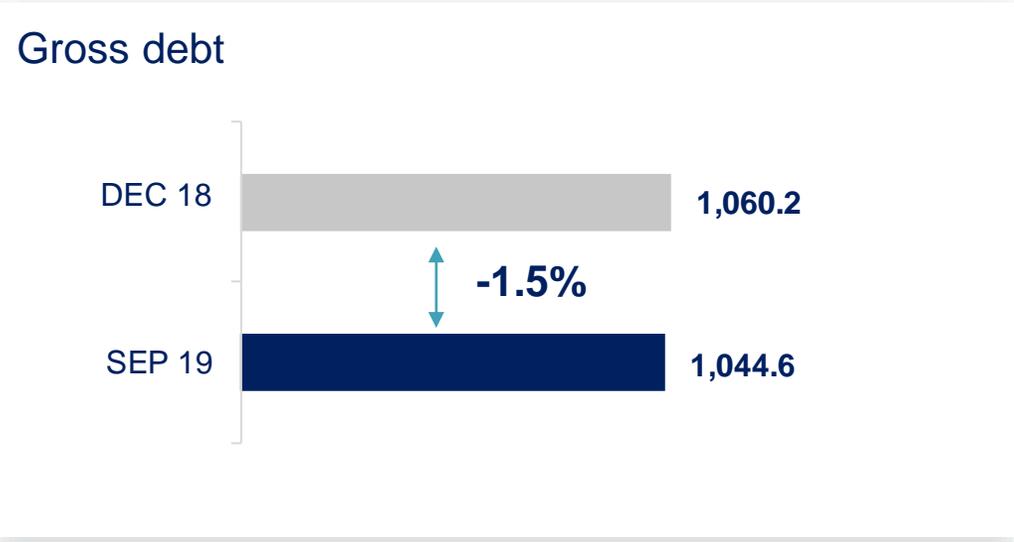
■ Operating earnings  
■ Operating earnings exc. "encaje"

Note: Figures in USD million

# ROE Adjusted by Encaje



# Debt Sura Asset Management



**2.1x**  
 GROSS DEBT/EBITDA LTM

**5.1x**  
 EBITDA YTD / INTEREST

**6.32%**  
 COST OF DEBT (Total)

**CORPORATE  
STRATEGY**

## OUR PURPOSE

Helping our clients to achieve their dreams and goals

## STRATEGIC GUIDELINES

» Our client in the **center of our strategy**

- Persons
- Institutions

» Core guidelines for the **development of our businesses**

- Sustainability of our Mandatory Business
- Transforming our Savings and Investment Business
- Furthering our Investment Management Business

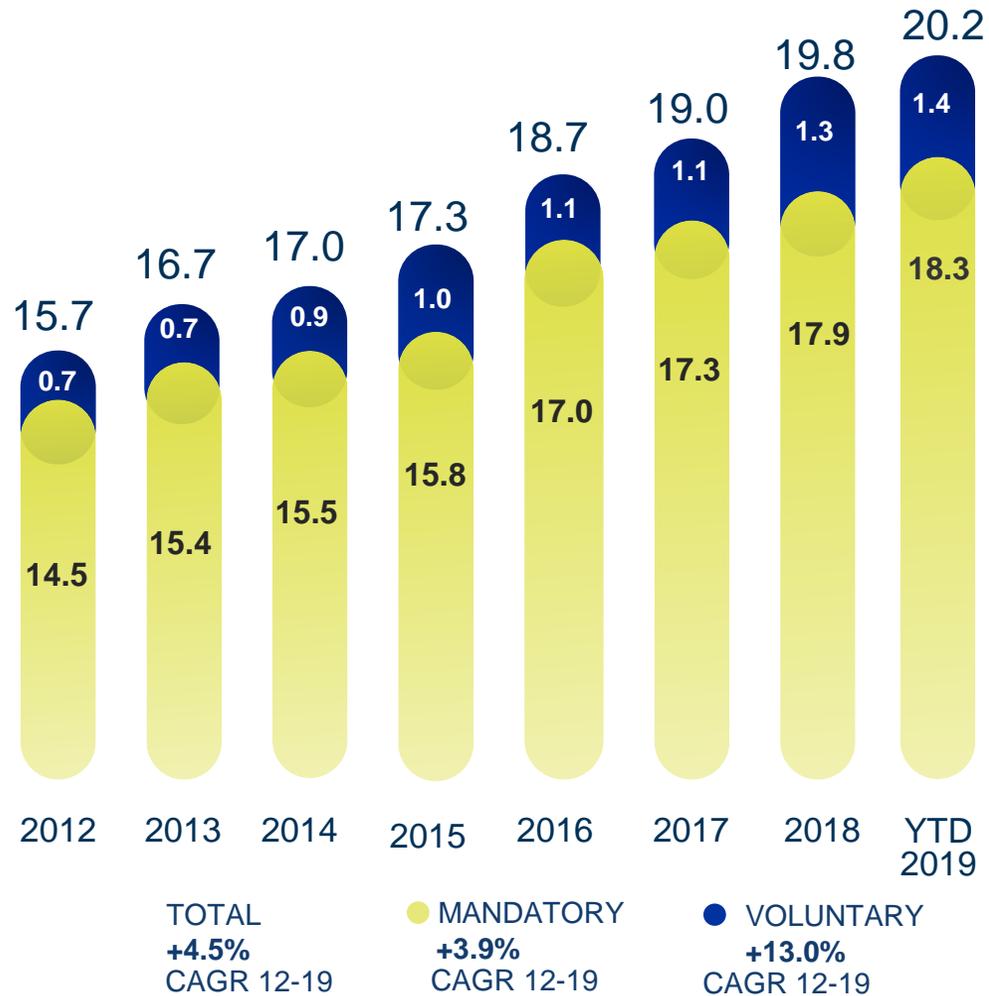
» Capacity development through transversal **enabling strategy guidelines**

- Investment Management
- Channel Management based in our advisory services
- Innovation and digital transformation
- Human Talent and our transforming culture

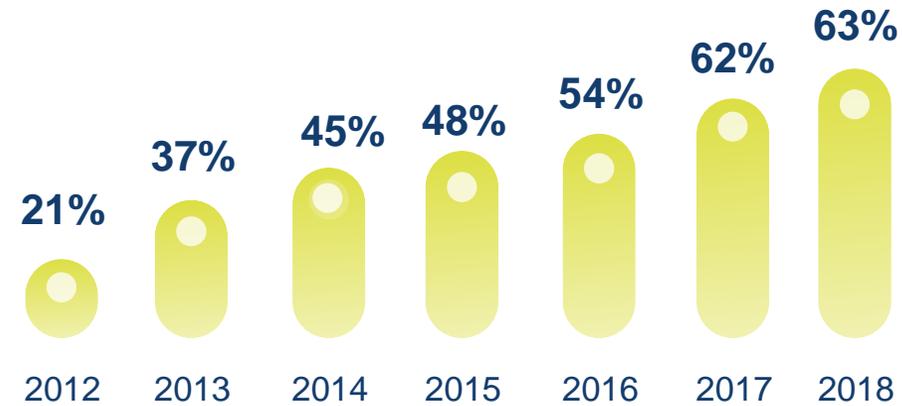
**CLIENT CENTRIC  
FOCUS**

# Clients at the core of our corporate strategy

## CLIENTS



## BRAND AWARENESS



Outstanding brand recognition



Relevant Client base



High client recommendation

**MANDATORY  
PENSION BUSINESS**

# Mandatory pension business

## Investments Highlights



Natural Source  
of Revenue  
Stability



Economic and  
Demographics  
Growth



Undisputable  
leadership in  
the Region



Outstanding funds  
performance and  
Efficiency in  
operative model

# Mandatory pension business

## Investments Highlights



Natural Source  
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# Highly stable business compared to other financial services

## The Mandatory Pension Funds System Is a Natural Source of Revenue Stability



Stable cash flows as fees are mostly based on monthly contributions

Longstanding client relationship with recurrent, "sticky" contributions

Regulated fund performance is similar among fund managers, leading to lower client churn

Upside potential due to attractive demographic trends

## TRADITIONAL ASSET MANAGERS

Vulnerable cash generation as fees are more volatile, generally based on AuM and performance

Not captive client base, can flee easily

Investor's asset allocation and performance lead to higher client churn

More mature and developed markets

# Mandatory pension business

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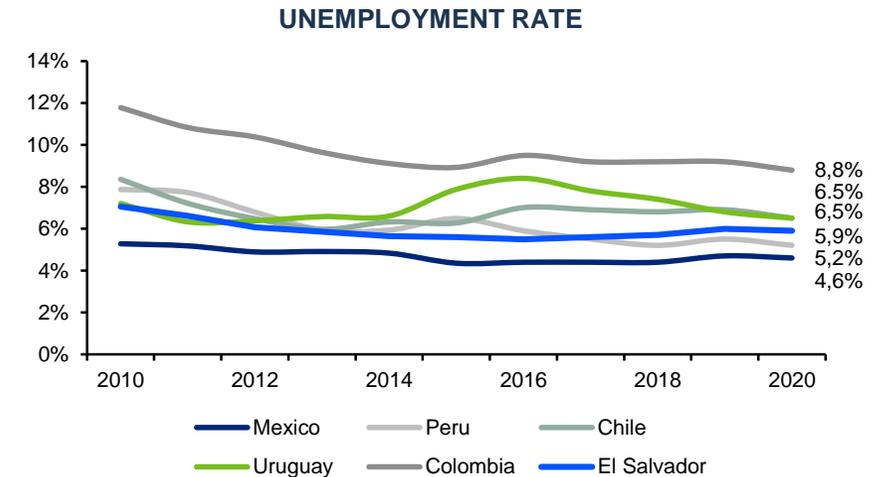
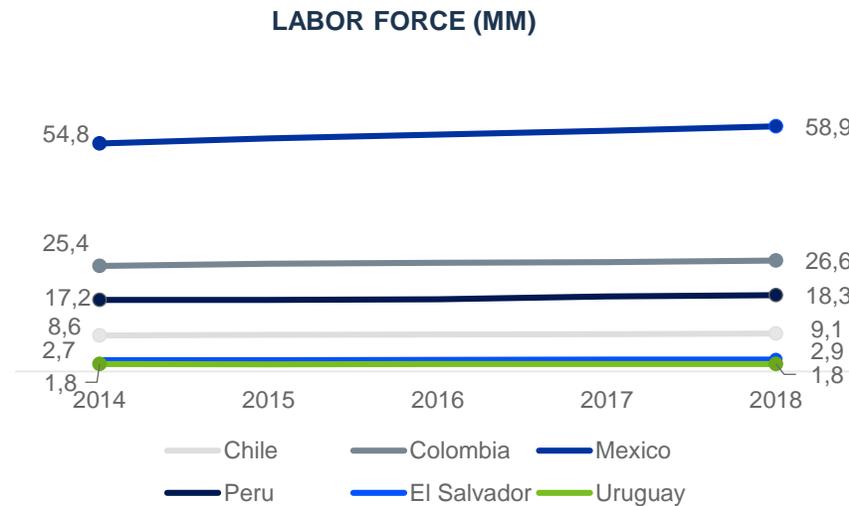
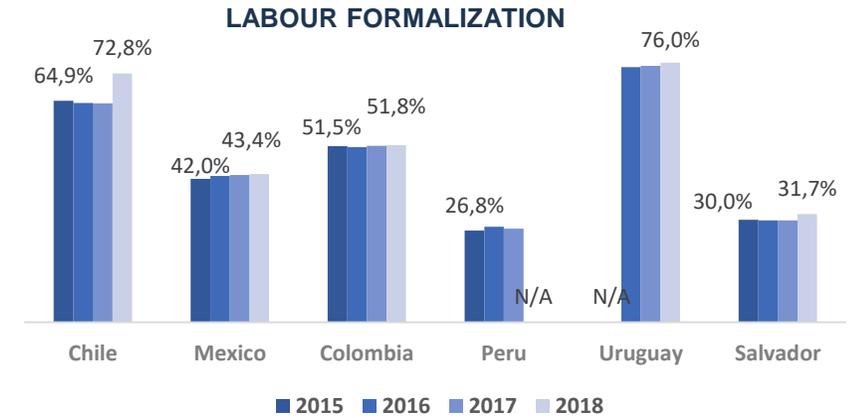


Outstanding funds  
performance and  
Efficiency in  
operative model

# Strong Macro Performance Despite Global Volatility...

SURA-AM's markets continue to present compelling fundamentals supporting long-term growth:

- i** Resilient economic growth and growing labor markets
- ii** Young populations and increasing employment formalization
- iii** Deep under-penetration of pension and wealth management products

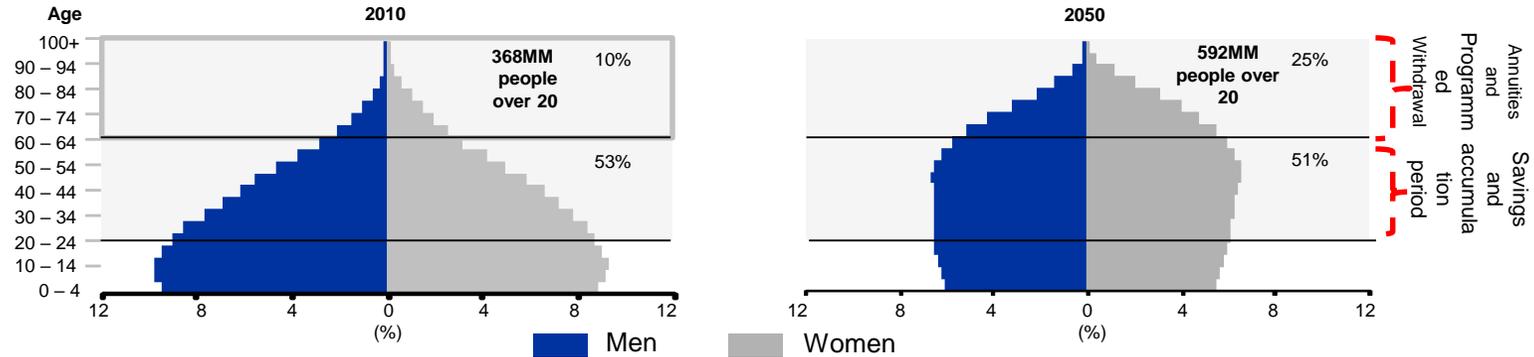


Source: Economist Intelligence Unit and Factset.

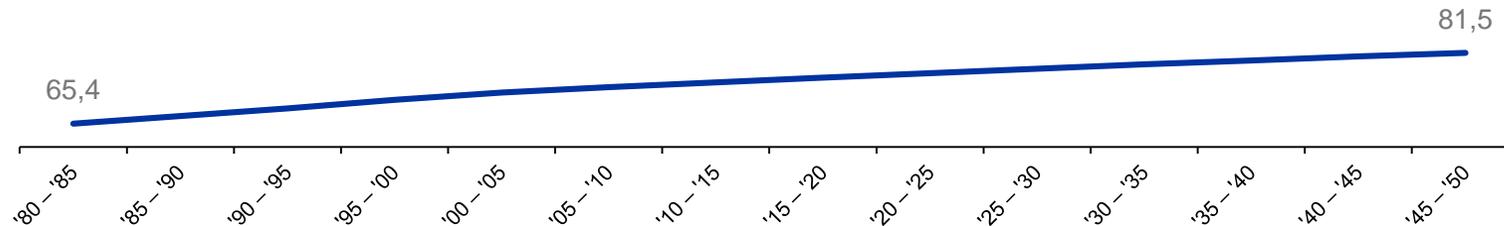
# ...Coupled With Strong Growth Potential Given Favorable Demographics...

## Strong Share of Population in Savings and Accumulations Age Poised to Bolster AUM

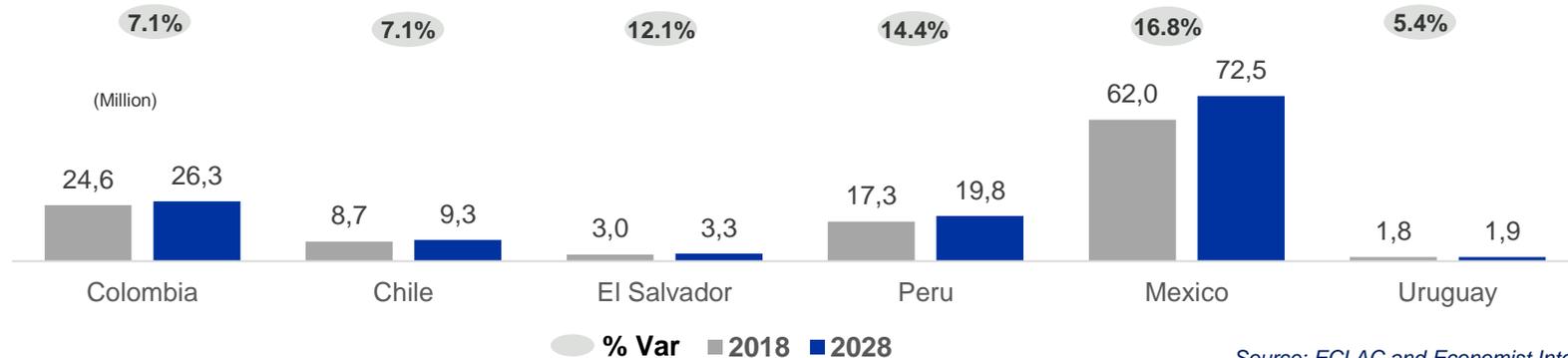
Attractive Demographics in a Fast Growing Market<sup>(1)</sup>



Growing Life Expectancy in LatAm<sup>(1)</sup>



Growing Economically Active Population

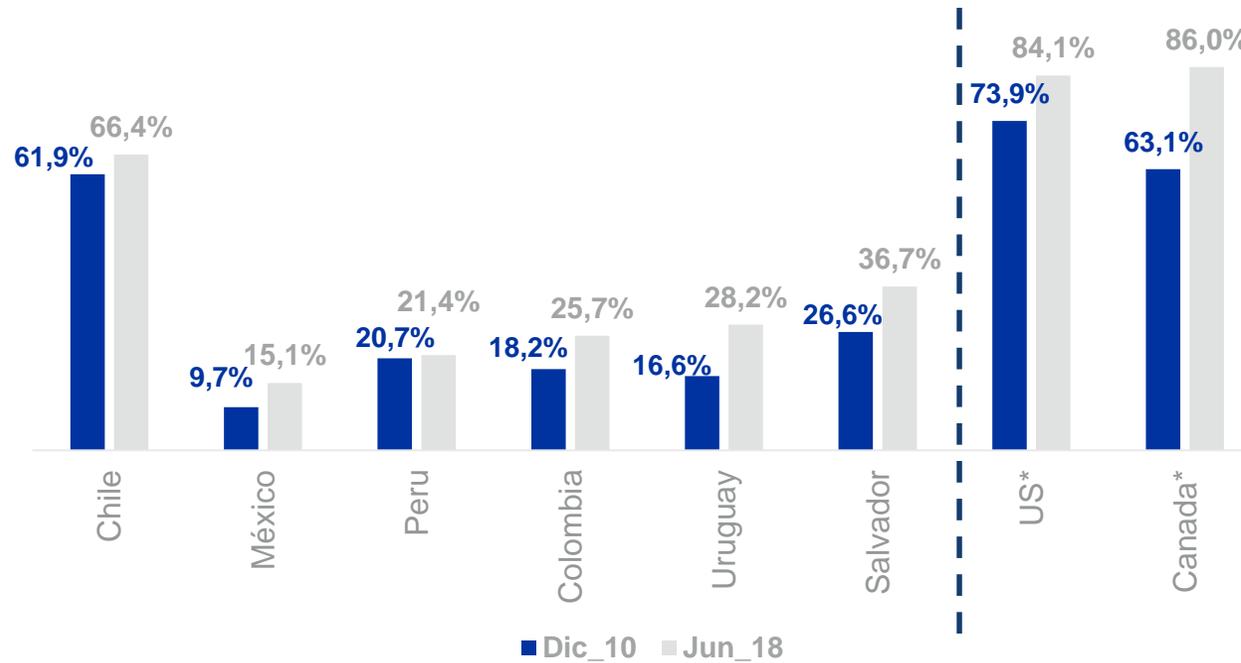


Source: ECLAC and Economist Intelligence Unit.  
(1) Population distribution for Latin America as reported by ECLAC.

# ... In Underpenetrated Pension Industry

Low Penetration of Financial Services in LatAm Result in a Growing Opportunity in the Mandatory Pension

## June 2018 % GDP – PENSIONS



Source: LatinoAFP \*2017  
Market penetration = AUM / GDP.

# Mandatory pension business

## Investments Highlights



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Stability



Economic and  
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Growth



Undisputable  
leadership in  
the Region



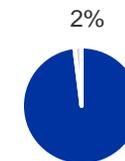
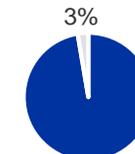
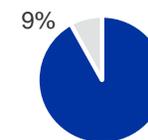
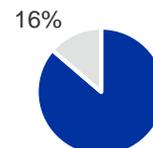
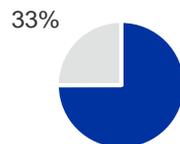
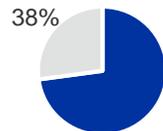
Outstanding funds  
performance and  
Efficiency in  
operative model

# Undisputed leadership in Mandatory Pension Business



	 CHILE	 MÉXICO	 COLOMBIA	 PERÚ	 URUGUAY	 EL SALVADOR
	<b>22.7%</b>	<b>19.4%</b>	<b>15.1%</b>	<b>36.7%</b>	<b>37.8%</b>	<b>47.6%</b>
	<b>Ranking 1<sup>st</sup></b>	<b>Ranking 3<sup>th</sup></b>	<b>Ranking 3<sup>rd</sup></b>	<b>Ranking 2<sup>nd</sup></b>	<b>Ranking 1<sup>st</sup></b>	<b>Ranking 2<sup>nd</sup></b>
Habitat (ILC + Prudential)	11.3%	28.3%		12.8%	5.7%	
Metlife	9.4%	24.6%				
Principal	9.2%	18.3%	6.7%			
Banorte	6.9%		20.8%			
Grupo AVAL	6.5%			43.0%		
Citibank	6.1%		18.5%			
Scotiabank	4.2%				25.3%	
Grupo BAL	5.0%		15.2%			
<b>Total AUM (USDBN)</b>	<b>557.4</b>	<b>213.3</b>	<b>183.6</b>	<b>84.6</b>	<b>49.4</b>	<b>15.0</b>
<b>Número de jugadores</b>		<b>6</b>	<b>12</b>	<b>5</b>	<b>4</b>	<b>2</b>

\$557 Bn AUM de la industria por país



# Mandatory pension business

## Investments Highlights



Natural Source  
of Revenue  
Stability



Economic and  
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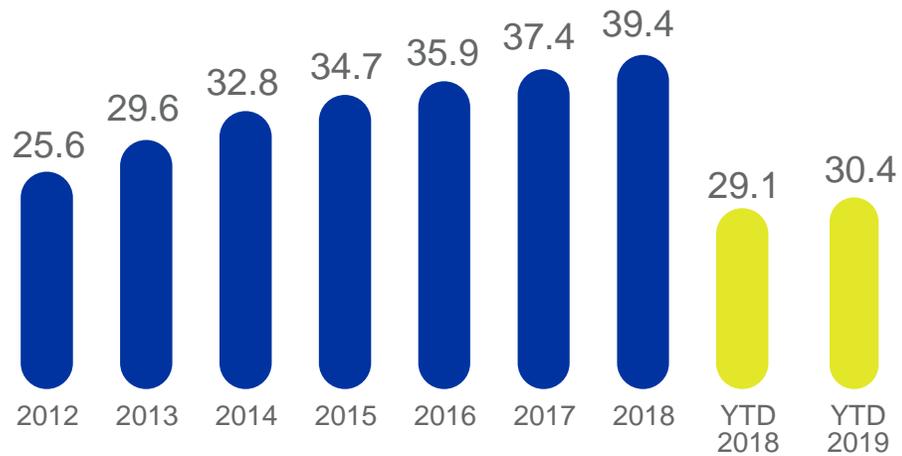
Undisputable  
leadership in  
the Region



Outstanding funds  
performance and  
Efficiency in  
operative model

# Mandatory pension business

## SALARY BASE



**53%\***  
**%AUM ALPHA  
POSITIVE**

## CLIENTS



*Figures as of September 2019 in USD million  
\*12 months % AUM Alpha Positive*



Natural Source  
of Revenue  
Stability



Economic and  
Demographics  
Growth



Undisputable  
leadership in the  
Region



Outstanding funds  
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Efficiency in  
operative model

# Mandatory pension business

## OPERATING REVENUE



CAGR 16-18: +2.1%

## OPERATING EARNINGS



CAGR 16-18: -2.6%

## AUM



Figures as of September 2019 in millions of USD.  
AUM in billion of USD



Natural Source  
of Revenue  
Stability



Economic and  
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Growth



Undisputable  
leadership in the  
Region



Outstanding funds  
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**SAVINGS AND  
INVESTMENT  
BUSINESS**

# Savings and Investment business

## Investments Highlights



Underpenetrated  
Industry with a  
relevant potential  
market



Building an  
advisory  
ecosystem



Growth Stage,  
with need of a  
larger scale and  
greater  
investment



Attraction and  
penetration of  
clients

# Savings and Investment business

## Investments Highlights



Underpenetrated  
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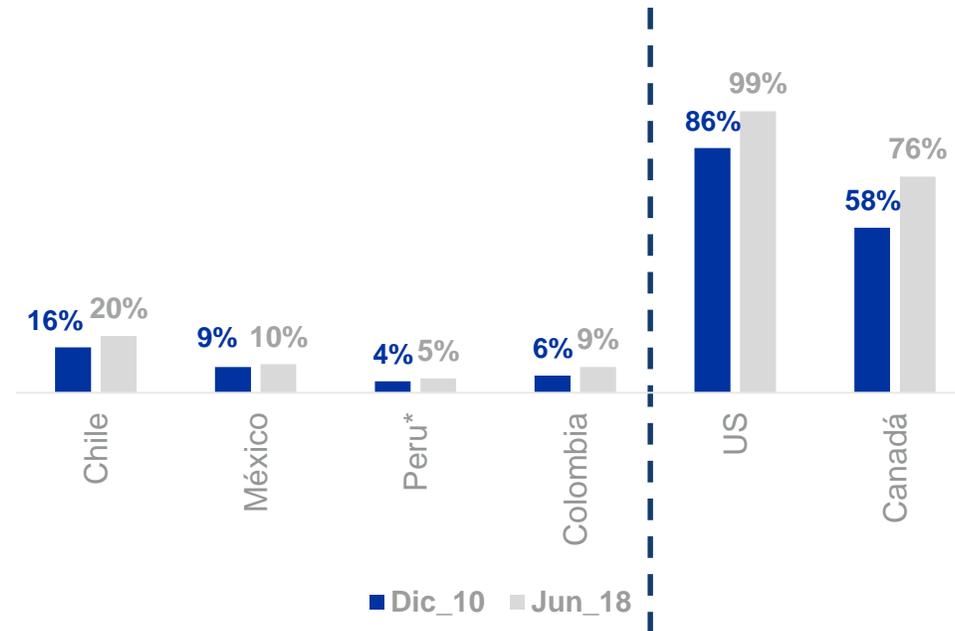


Attraction and  
penetration of  
clients

# ... In Underpenetrated Savings Industry

Low Penetration of Financial Services in LatAm Result in a Growing Opportunity in the Savings Industries

## Jun 2018 % GDP – MUTUAL FUNDS



# Savings and Investment business

## Investments Highlights



Underpenetrated  
Industry with a  
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Growth Stage,  
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Attraction and  
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# Transforming our Savings and Investment business

WE ARE TRANSFORMING OUR ADVISORY ECOSYSTEM

## BRAND AND CUSTOMER EXPERIENCE

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CUSTOMER KNOWLEDGE



SOLUTIONS AND  
STRATEGIES



CHANNELS

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TECHNOLOGICAL ARCHITECTURE

# Savings and Investment business

## Investments Highlights



Underpenetrated  
Industry with a  
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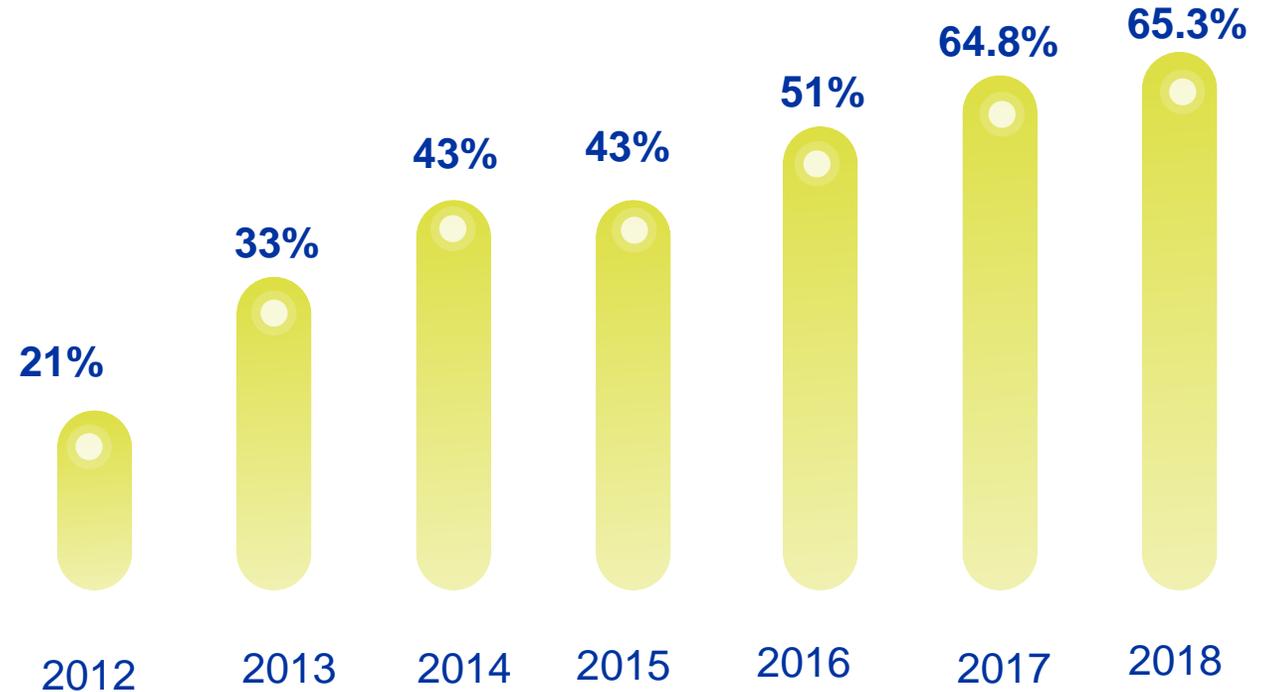
Growth Stage,  
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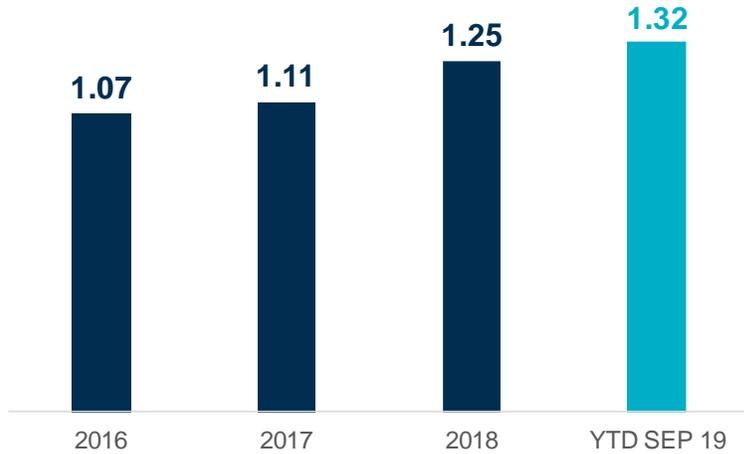
# Sura Inversiones Brand Awareness

Position a brand that leverages the business strategy and transmits confidence



# Savings and Investment business

## CLIENTS (VOLUNTARY BUSINESS)



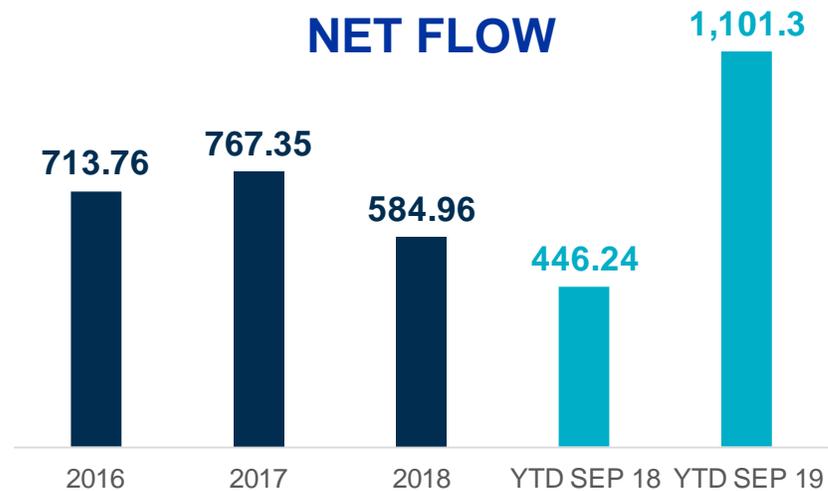
Figures in millions of USD

## AUM



Figures in billions of USD

## NET FLOW



Figures in millions of USD

Figures as of September 2019 in USD million, from financial reporting, Protección 100%



Underpenetrated Industry with a relevant potential market



Growth Stage, with need of a larger scale and greater investment



Building an advisory ecosystem



Attraction and penetration of clients

# Savings and Investment business

## OPERATING REVENUE



## OPERATING EARNINGS



Underpenetrated Industry with a relevant potential market



Growth Stage, with need of a larger scale and greater investment



Building an advisory ecosystem



Attraction and penetration of clients

*Figures as of September 2019 in millions of USD, from financial reporting, Protección 100%*

**INVESTMENT  
MANAGEMENT  
BUSINESS**

# Investment Management business

## Investments Highlights



Regional platform  
connecting Latam  
to the world



Pure LATAM  
player with  
“local reach”



Strength of  
being a  
regional multi-  
asset actor



Outstanding  
track record

# Investment Management business

## Investments Highlights



Regional platform  
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Pure LATAM  
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Strength of  
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Outstanding  
track record

# Position ourselves as the most relevant non-banking Investment Manager in Latin America.

## IM Platform

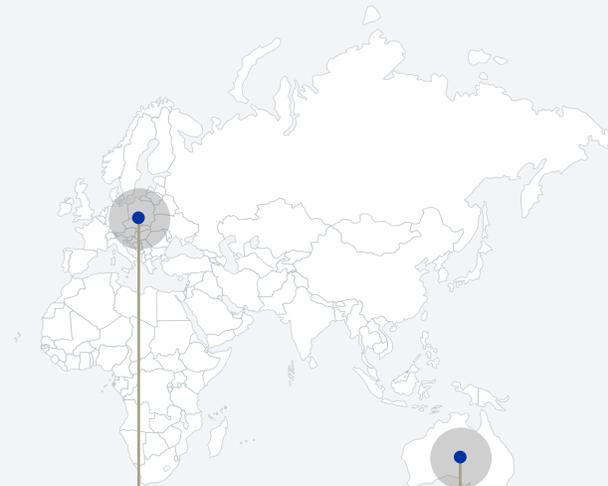
SURA Investment Management (SURA IM) is the investment management arm of SURA Asset Management

Experts in

# LATAM



## Off shore



**LUXEMBOURG**



**AUSTRALIA**

AUM  
24 M



# Investment Management business

## Investments Highlights



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Outstanding  
track record

# Regional platform connecting Latam to the world



## FUNDS AND MANDATES

### TRADITIONAL ASSETS

Fix Income 80%	Equity 2.6%	Multi-asset 11.2%
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### ALTERNATIVE ASSETS

Real Estate 2.4%	Infraestructure 3.9%	Private Debt	FOF
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## CLIENTS

Wealth Manager SURA and others Wealth Managers

### Institutionals

- Insurance Companies
- Pension funds plans

- Sovereign funds
- Family Offices

- Corporates

# Investment Management business

## Investments Highlights



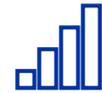
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Outstanding  
track record

# Awards and recognitions

The rigorous investment process has allowed SURA Investment Management to outperform the market in the countries where it is located.



- Best Global Manager
- Best Equity Manager
- Best Fixed Income Manager
- Best International Equity Fund



- Best Asset Management Company in Mexico



## Turnaround stars: the three most improved PMs in LatAm equity

By Atholl Simpson / 16 Nov, 2017



- Funds: [Sura Acciones FMIV/Sura Mercados Integrados FMIV](#)
- Places gained: +56
- 1-year ranking (Oct. 17): 4/69
- 1-year returns: 18.65%

Coming top of our most improved ranking in Latin America is José Block of Sura Asset Management in Peru. He runs two Peru-domiciled funds, the largest of which, Sura Acciones, invests in the Peruvian equity market.

His other fund, Mercados Emergentes, invests in the Peruvian, Chilean and Colombian market. Little information on their portfolios' composition was available but Block has been running both funds since September 2015.

## ¡Adelante! The three best Mexican equity managers revealed

By Atholl Simpson / 01 Sep, 2017



- Funds: SURA Patrimonial SA de CV SIRV A/SURA Indizado SA de CV SIRV BOE2
- 1-year return: 17.86%

At the top of our ranking is Sura Asset Management's Arturo Hernandez who has been running both his funds since August 2014.

His Patrimonial fund was initially launched at the end of 2013 while the Indizado fund was launched in 2010. Both funds have very similar portfolios, with only 1 or 2 percentage point differences in the amount they allocate to each of their top sector, namely consumer defensive, industrials, financials and cyclical consumer.

The largest of the two is Sura Patrimonial with 2.7 billion pesos (\$151 million) in assets. In it Hernandez allocated over a quarter (27.6%) toward consumer defensive stocks, with industrials coming next with 23%.

## PERÚ GOLDEN AWARDS 2018

- Best mutual fund in Peruvian Soles
- Best equity mutual fund denominated in Peruvian soles.



- Best Debt Fund with maturity of less than 90 days
- Best Debt Fund with maturity of more than 365 days
- Second Equity Fund
- Second Debt Fund category with maturities of less than 365 days

# Investment Management business

## AUM



Figures in BN of USD

## OPERATING REVENUE



Figures in millions of USD

## OPERATING EARNINGS



Figures in millions of USD

**70.9%**  
AUM ALPHA  
POSITIVE

**2.8%**  
FUNDS MS\*



Regional platform  
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Pure LATAM  
player with  
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Strength of  
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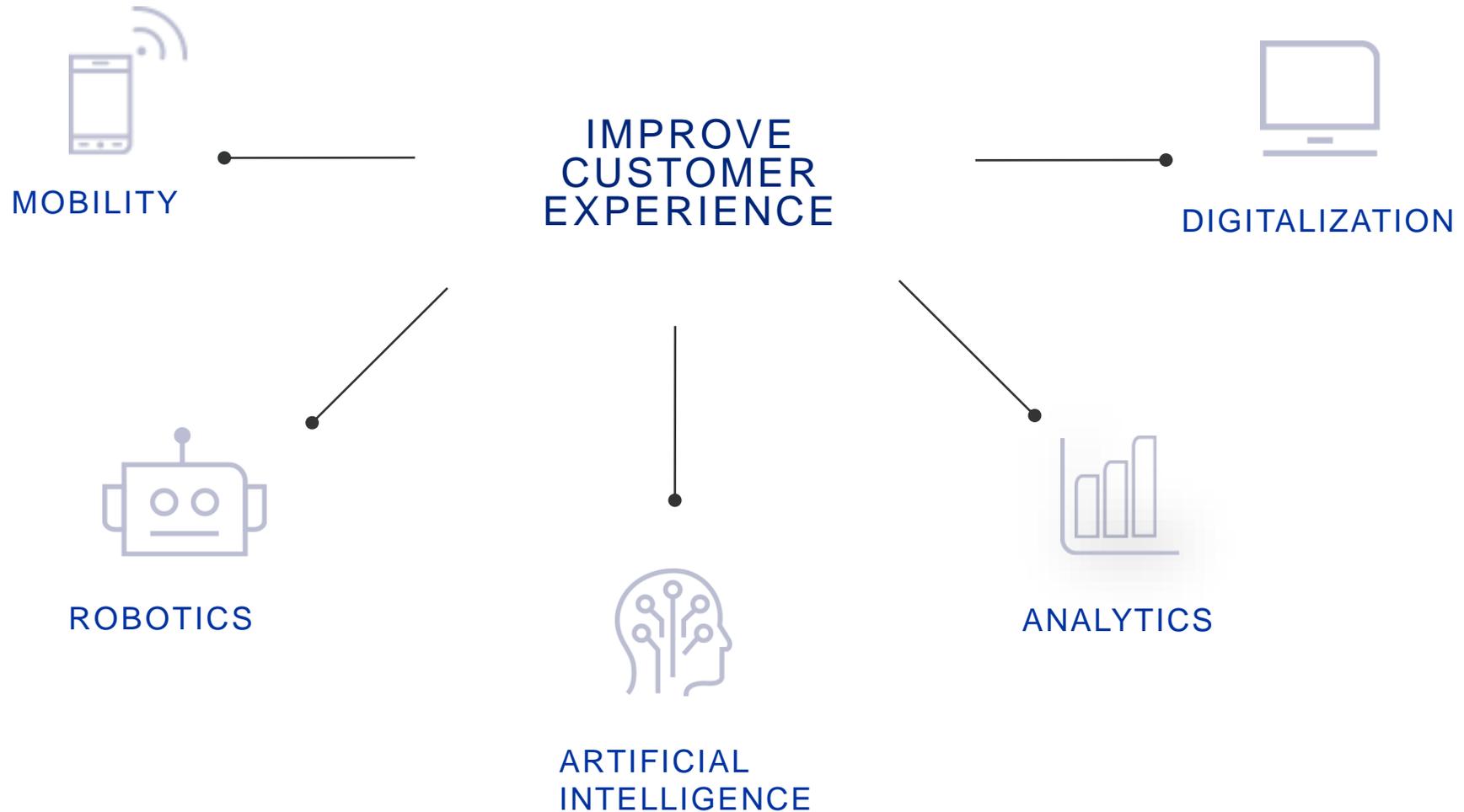
Outstanding  
track record

Figures as of September 2019, from financial reporting  
\*Figures as of March 2019

**TRANSVERSAL  
ENABLING STRATEGY  
GUIDELINES**

# INNOVATION AND DIGITAL TRANSFORMATION

## EXPONENTIAL TECHNOLOGIES



# INNOVATION AND DIGITAL TRANSFORMATION

## EXPONENTIAL TECHNOLOGIES

We use technology to improve customer experience



### ANALYTICS

Purchase propensity models

Predictive outflow models



### MOBILITY

Consultants APPs

Self-service stations

APPs for clients



### ROBOTICS

**214** Robots



### ARTIFICIAL INTELLIGENCE

Chatbots for clients

Chatbots for employees

Roboadvisor in all region

**Protección Smart**



### DIGITALIZATION

- Digital channel in Chile
- Digital contracts

# INNOVATION AND DIGITAL TRANSFORMATION

I N N O V A T I O N

## Innovation in new business models

### ► Acceleration Program

Entrepreneurship focused on  
fintech savings

- » This edition adds Protección
- » Coming soon Chile

#### ► MEXICO



#### ► PROTECCIÓN



### ► Intrapreneurship



# HUMAN TALENT AND OUR TRANSFORMATIONAL CULTURE

Culture client oriented, more flexible and innovative

## ► New ways of working

### Cell working



Customer-  
focused design



Agile  
development



Analytics focused  
on Human Talent



Employees and  
robots interaction

### Flex office

**+ 650** People

**CHANGE MANAGEMENT**

# INVESTMENT MANAGEMENT



Investment  
platform/  
Aladdin



Portfolio  
decarbonization



Investment  
Excellence  
Center

- » EC Funds and Managers
- » EC Credit Risk
- » EC ISDAS

**Q3-2019 RESULTS**

# SURA AM: stable business dynamics and return on “encaje”

drive increase in net income

◆ **TOTAL CLIENTS**

**20.2** million  
▲ 2.0%

◆ **INSTITUTIONAL CLIENTS**

**324**

◆ **NET INCOME BEFORE DISC OP.**

**USD 209.0** million  
▲ 40.4%

◆ **EMPLOYEES**

**9,188**

◆ **PRODUCTS**

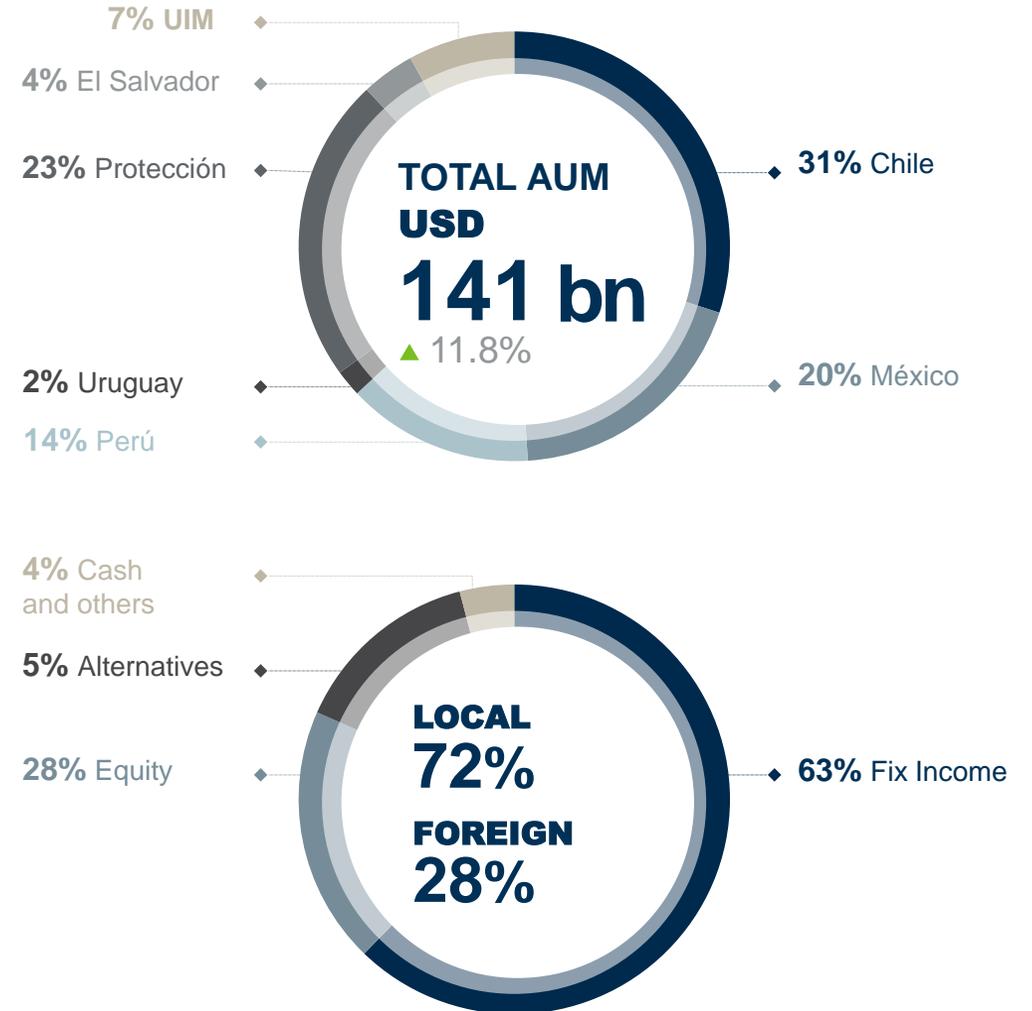
**+591**  
Solutions and products for our clients  
**294 funds**  
**297 mandates**

◆ **MANDATORY**

AUM	Revenues
▲ 12.6%	▲ 21.3%
Op. Income	
▲ 34.1%	

◆ **VOLUNTARY**

AUM	Revenues
▲ 5.7%	▲ 10.8%
Op. Income	
▼ 50.5%	



# OPERATING RESULTS

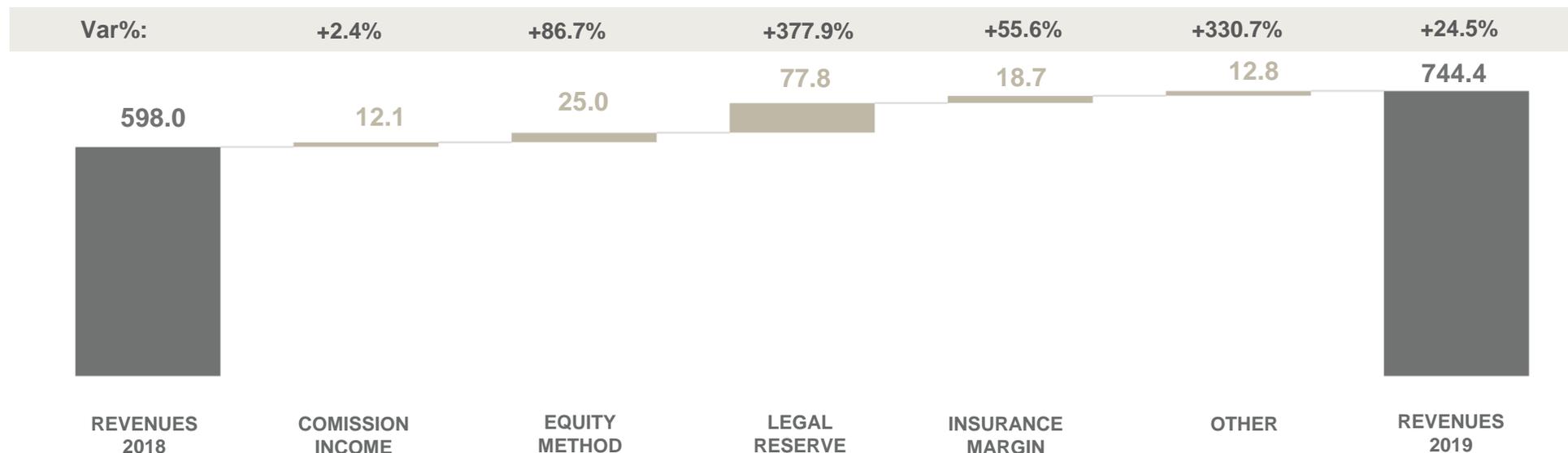
reflect return on “encaje” and stable growth in fee income

## OPERATING REVENUES + INSURANCE MARGIN

**744.4**  
Million USD

**+146.4 M**

**▲ 24.5%**

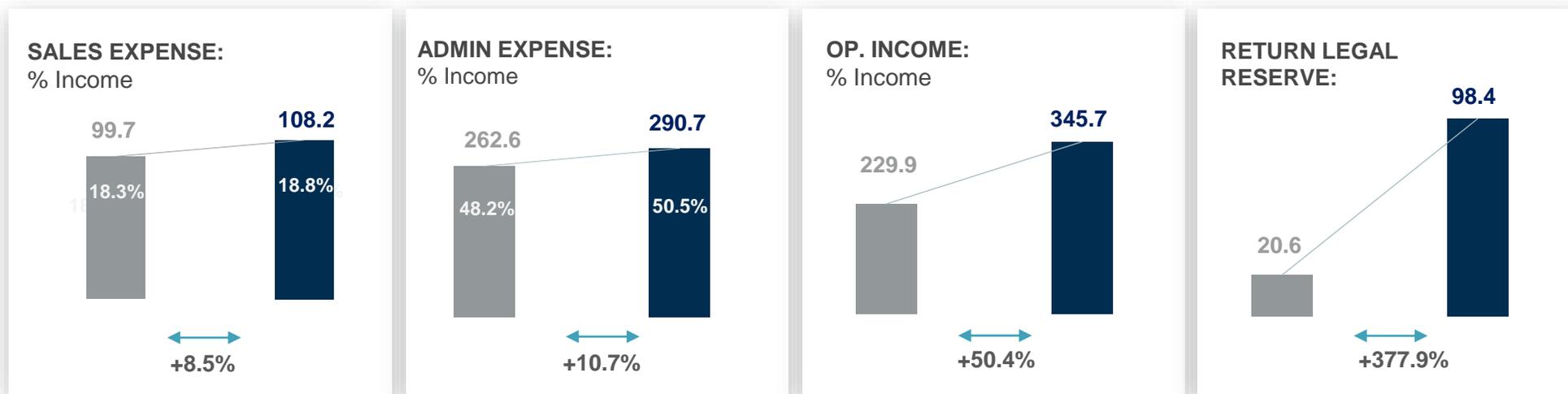


## OPERATING EXPENSES

**398.7**  
Million USD

**+30.6 M**

**▲ 8.3%**



Figures in millions of USD.  
\*% Evolutions in constant Exchange rates

# MANDATORY BUSINESS: RETURN ON “ENCAJE” AND COMMERCIAL ACTIVITY

overcome impact from lower fees in some countries

## OPERATING REVENUES

**USD 607.8 MM**

▲ 21.3%

## OPERATING INCOME

WITH LEGAL RESERVE

**USD 374.7 MM**

▲ 34.1%

WITHOUT LEGAL RESERVE

**USD 278.1 MM**

▲ 7.4%

## AUM

**USD 124.9 bn**

▲ 12.6%

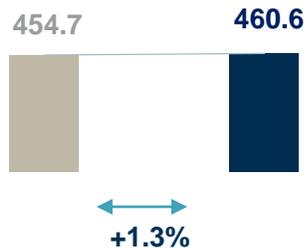
- ◆ MÉXICO ▲ 11.8%
- ◆ CHILE ▲ 17.3%

## SALARY BASE

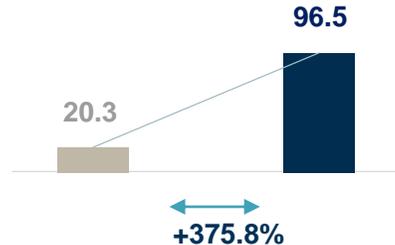
- ◆ CHILE ▲ 5.0%

- ◆ COLOMBIA 5.7%
- ◆ URUGUAY ▲ 5.0%

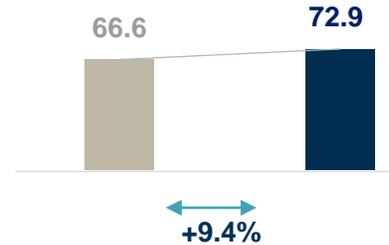
### COMMISSION INCOME



### INCOME LEGAL RESERVE



### SALES EXPENSE



### ADMIN. EXPENSE



# BETTER GROWTH DYNAMICS IN THE QUARTER

## OPERATING REVENUES

**USD 85.1 bn**

▲ 10.8%

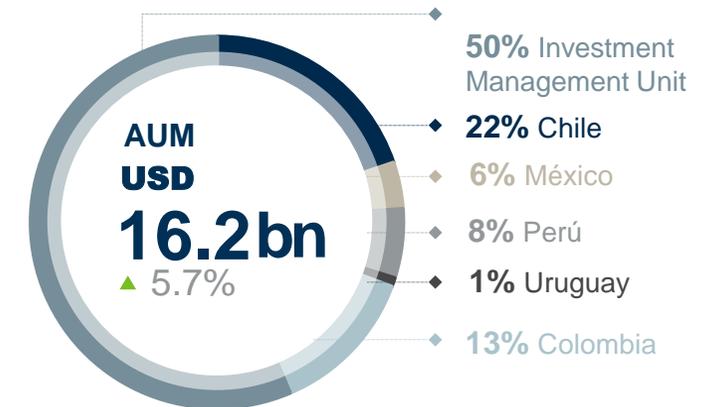
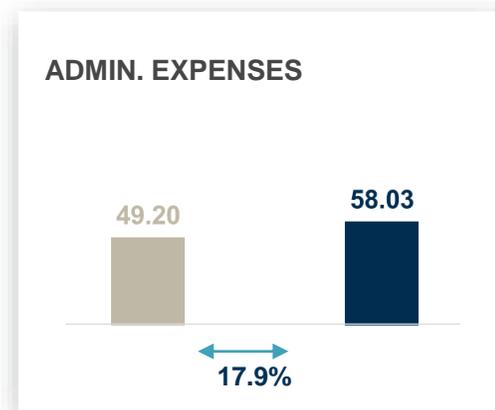
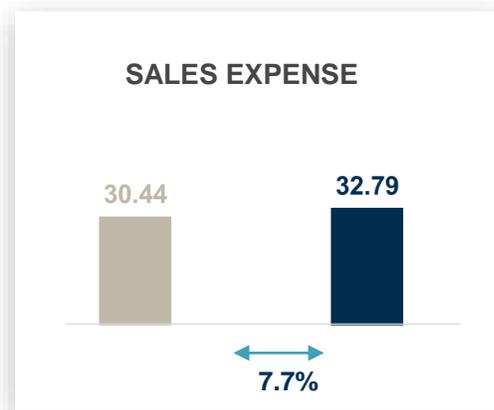
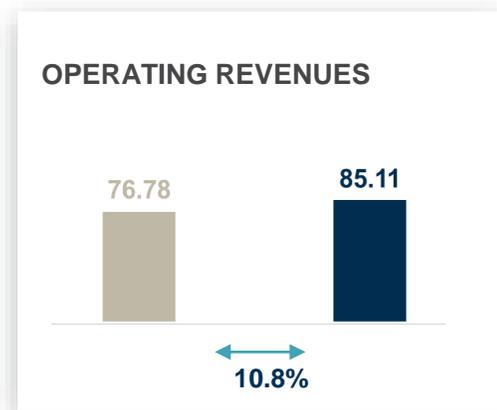
## AUM SAVINGS AND INVESTMENT

**USD 10.0 bn**

## AUM INVESTMENT MANAGEMENT

**USD 10.2 bn**

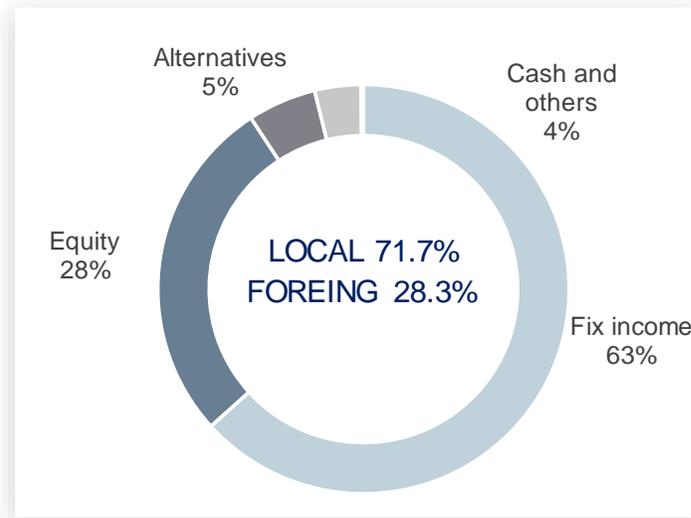
- **A&I:** AUM growth offset pressure from lower fees
- **IM:** 21 funds launched YTD and new insurance mandates vs. lost of annuities portfolio from Chile



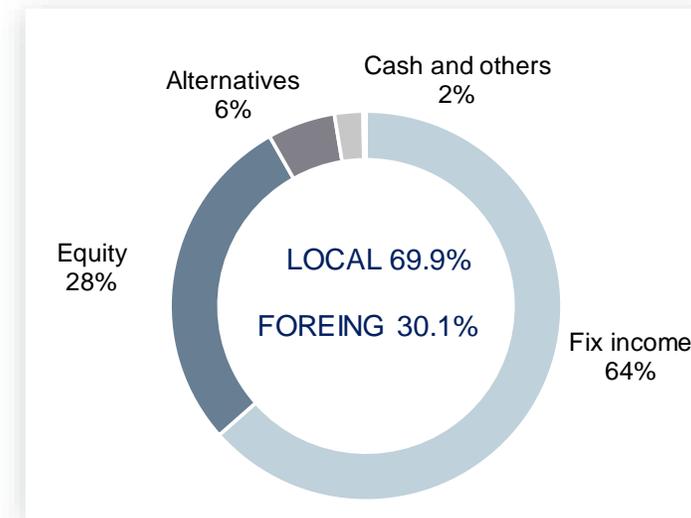
Figures in millions of USD.  
\*% Evolutions in constant Exchange rates

# PORTFOLIO SUITED TO REGULATORY AND MARKET PERFORMANCE

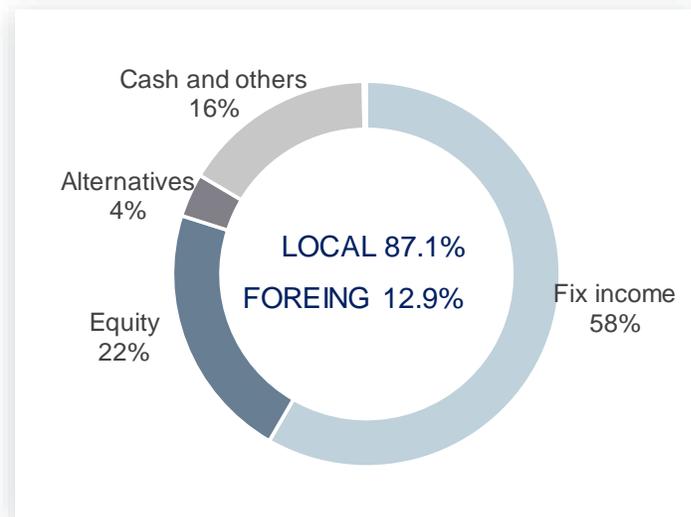
## Total



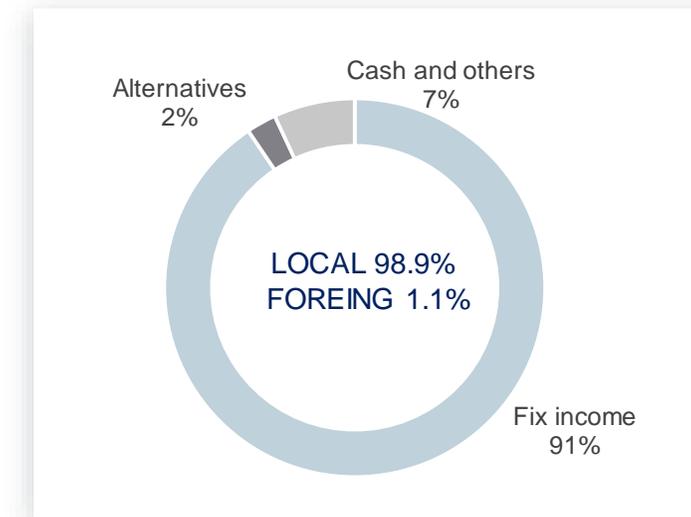
## Mandatory



## Voluntary



## Insurance and annuities

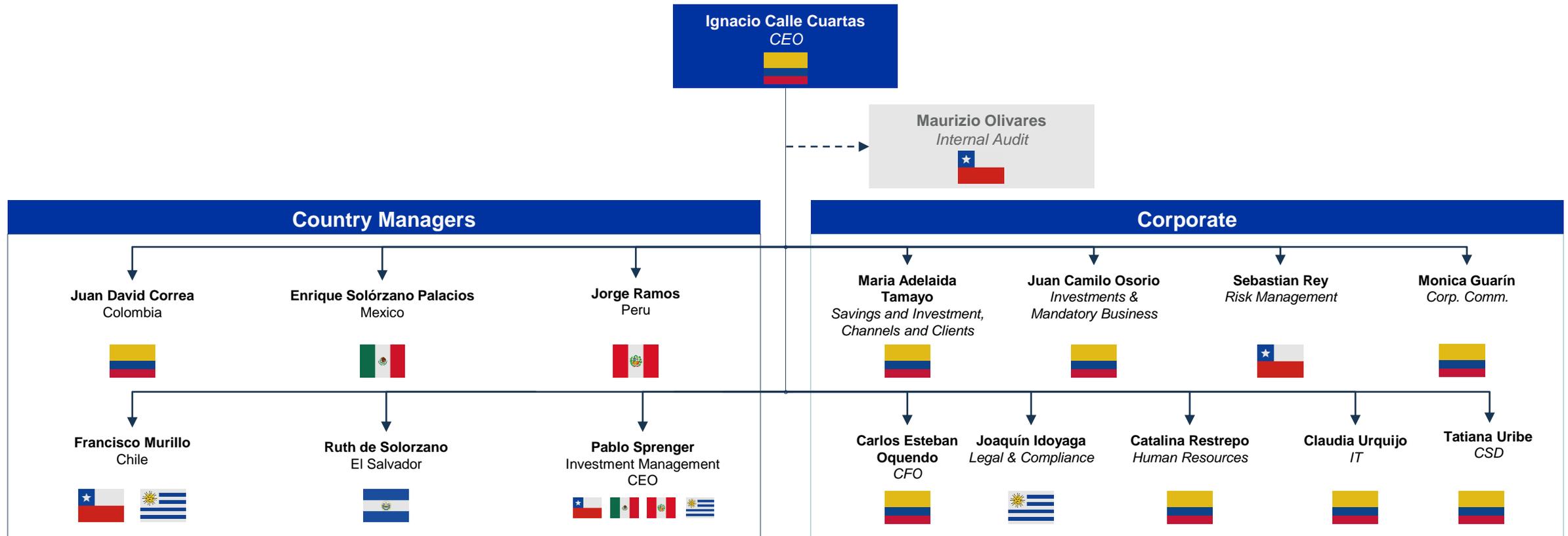


**MANAGEMENT TEAM  
AND CORPORATE  
GOVERNANCE  
STANDARDS**

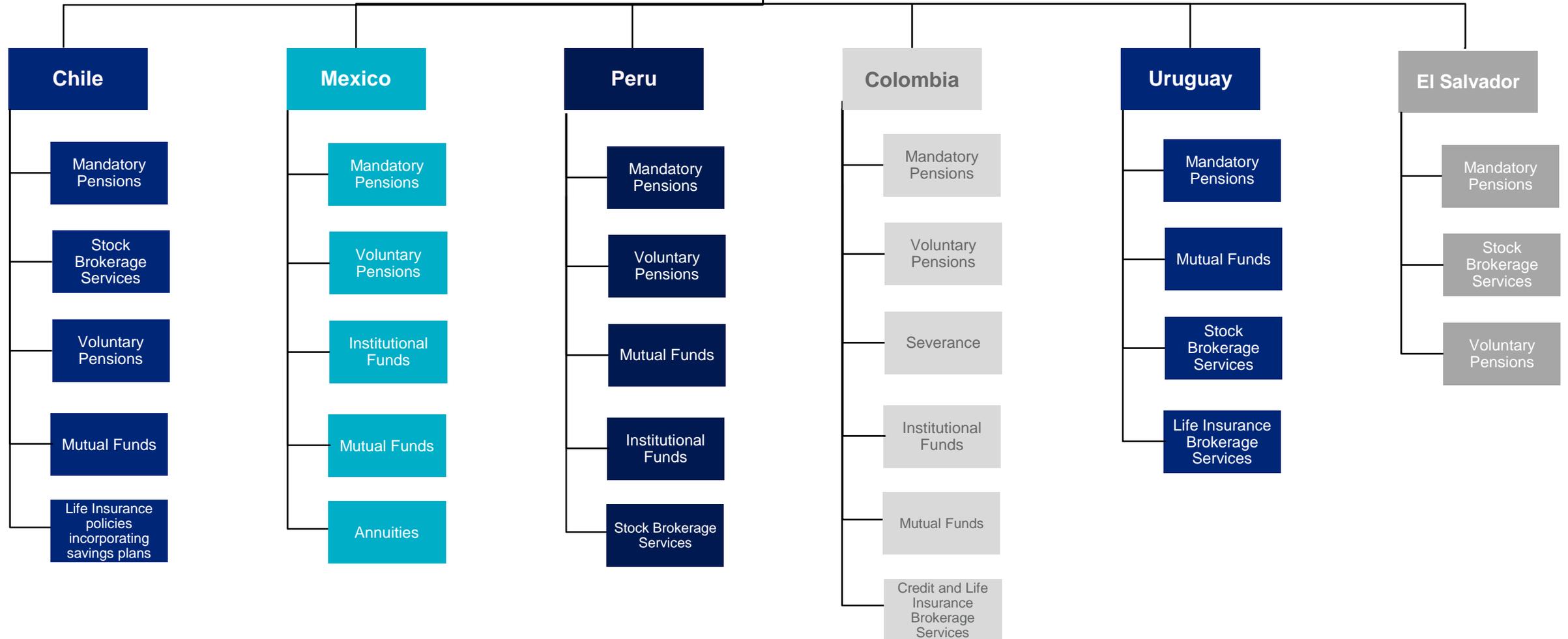
# Experienced management team

## Diverse, Experienced and Highly Coordinated Management Team

- » Senior Management has held their positions for an average of 20 years
- » Unique strategy, with management working towards one corporate vision instead of different countries' perspectives
- » Local industry expertise



## SURA Asset Management



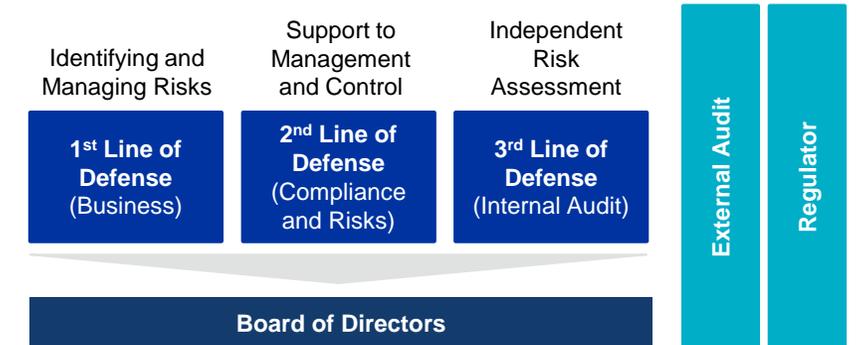
# Strong financial performance enhanced by prudent risk management (cont'd)

## Prudent and World Class Risk Management Framework

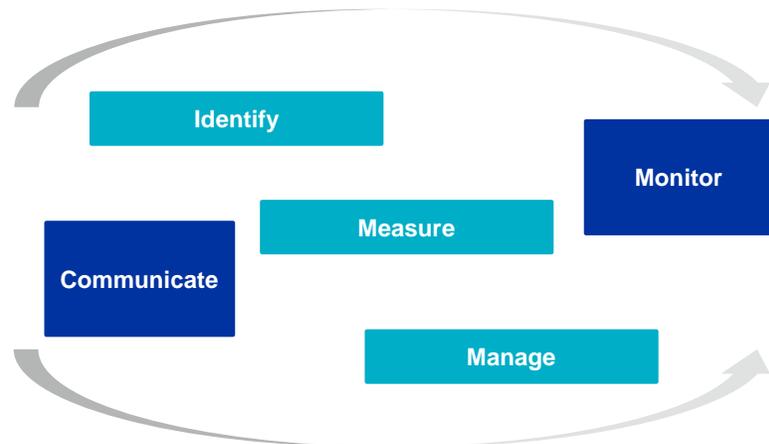
### SUAM's Risk Classification



### The Risk Management Framework is Based on Three Lines of Defense:



### Risk Management Process Based on a Continued Management of Risks



### SUAM Corporate Governance Structure



1. Developing risk category